

Economic Impact of the Financial Services Industry in San Antonio

November 18, 2005

Table of Contents

1. Background of the Finance San Antonio Ad Hoc Committee (3-5)
2. Introduction to the Economic Impact Study (6-9)
3. Comparison to Targeted Industries (10-14)
4. Comparison to Other Regions (15-17)
5. Economic Impact (18-20)
6. Employment (21-23)
7. Wages (24-28)
8. Summary (29-32)
9. Next Steps (33)
10. Definitions (34-39)

Background of the Finance San Antonio Ad Hoc Committee

Purpose

- At the request of Councilman Art Hall, City Council created the Committee on July 14, 2005, to achieve the following five goals:
 1. Review and analyze the current status of the financial industry in San Antonio to include an economic impact study and a gap analysis.
 2. Review how we can further develop the financial industry in San Antonio to support our other targeted industries.
 3. Review the feasibility of creating a financial district in San Antonio to help attract and develop financial industry programs and corporations.
 4. Review the interest currently shown by financial exchanges in San Antonio, such as the Chicago Stock Exchange, and review what San Antonio can do to increase the attractiveness from a business perspective to encourage the opening of a branch exchange.
 5. Recommend additional educational endeavors to increase awareness of finance and financial careers among students in San Antonio and South Texas.

Committee Members

- Terry Brechtel, Chair
- Karl Borgerding
- Michael Burke
- Alan Chesler
- Karen Diaz
- Randy Goldsmith
- Don Gonzales
- Jim Greenwood
- Doug Heath
- Mario Hernandez
- Bill McCartney
- Lanham Napier
- Alex Perez
- Keith Phillips
- Laura Powell
- Carlos Resendez
- Jorge Rodriguez
- Raul Rodriguez
- Robert Rodriguez
- Mickey Roth
- Floyd Wilson
- Jeanie Wyatt
- Ramiro Cavazos, Vice-Chair
- Milo Nitschke
- Steve Nivin (staff)
- Albert Garza (staff)
- Marina Sifuentes (staff)

Introduction to the Economic Impact Study

Research Team

- Analysis conducted by:
 - Dr. Steve Nivin, Industry Development Manager, City of San Antonio Economic Development Department
 - Dr. Keith Phillips, Senior Economist, Federal Reserve Bank of Dallas
- Economic Impact Subcommittee members
 - Mickey Roth
 - Dr. Randy Goldsmith
 - Robert Rodriguez

Methodology

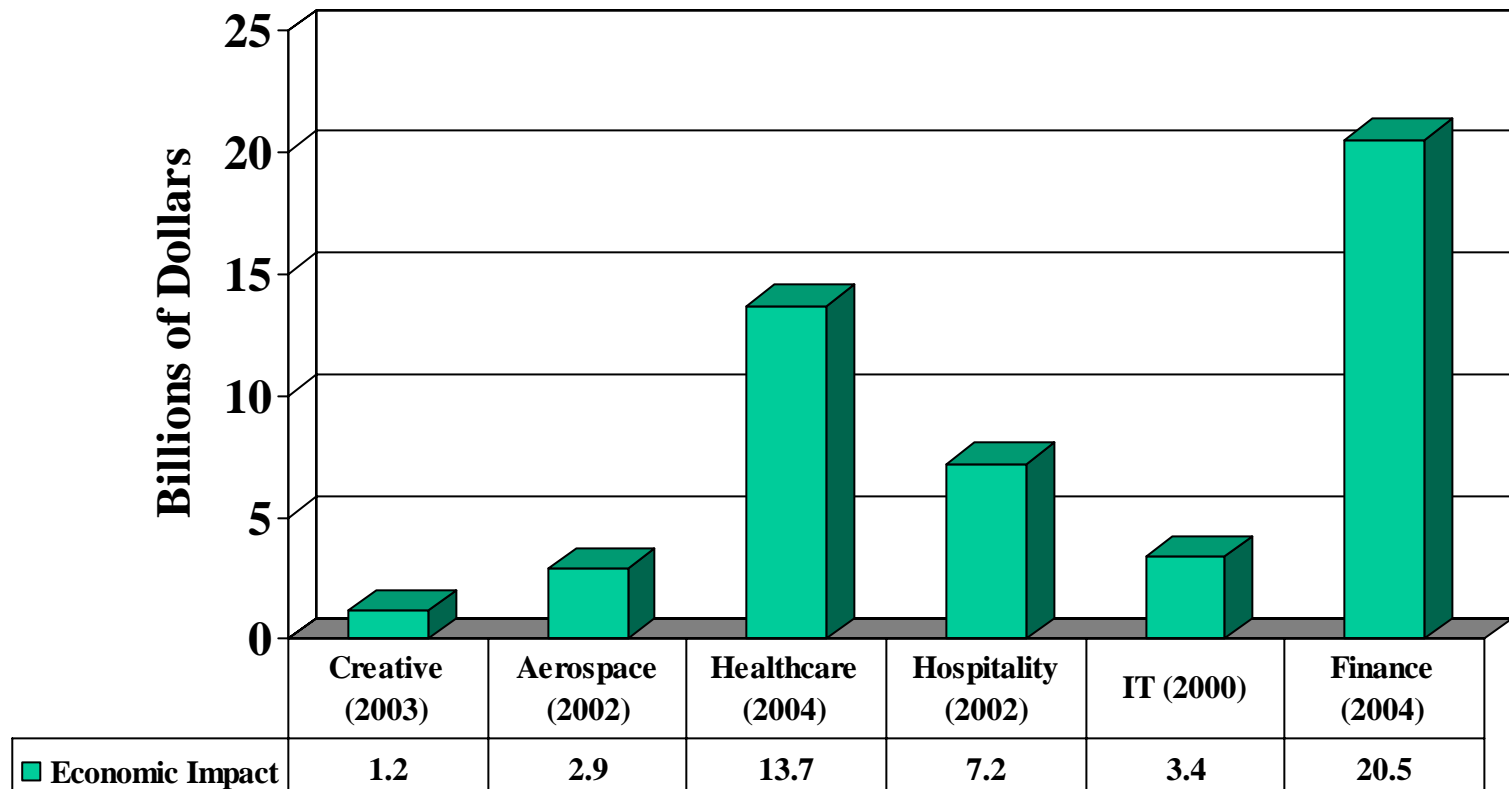
- This study used the same data sources and methodology used in the economic impact studies of other targeted industries.
- Data sources include:
 - Texas Workforce Commission (TWC)
 - Economic Census (U.S. Census Bureau)
 - Bureau of Labor Statistics (used only in comparison to other regions)

Definition of the Finance Industry

- The study includes the following sectors:
 - Banking and credit
 - Investment activities
 - Insurance
 - Funds, trusts, and other financial vehicles
 - Accounting and bookkeeping
- See last section for more detailed definition of these sectors.

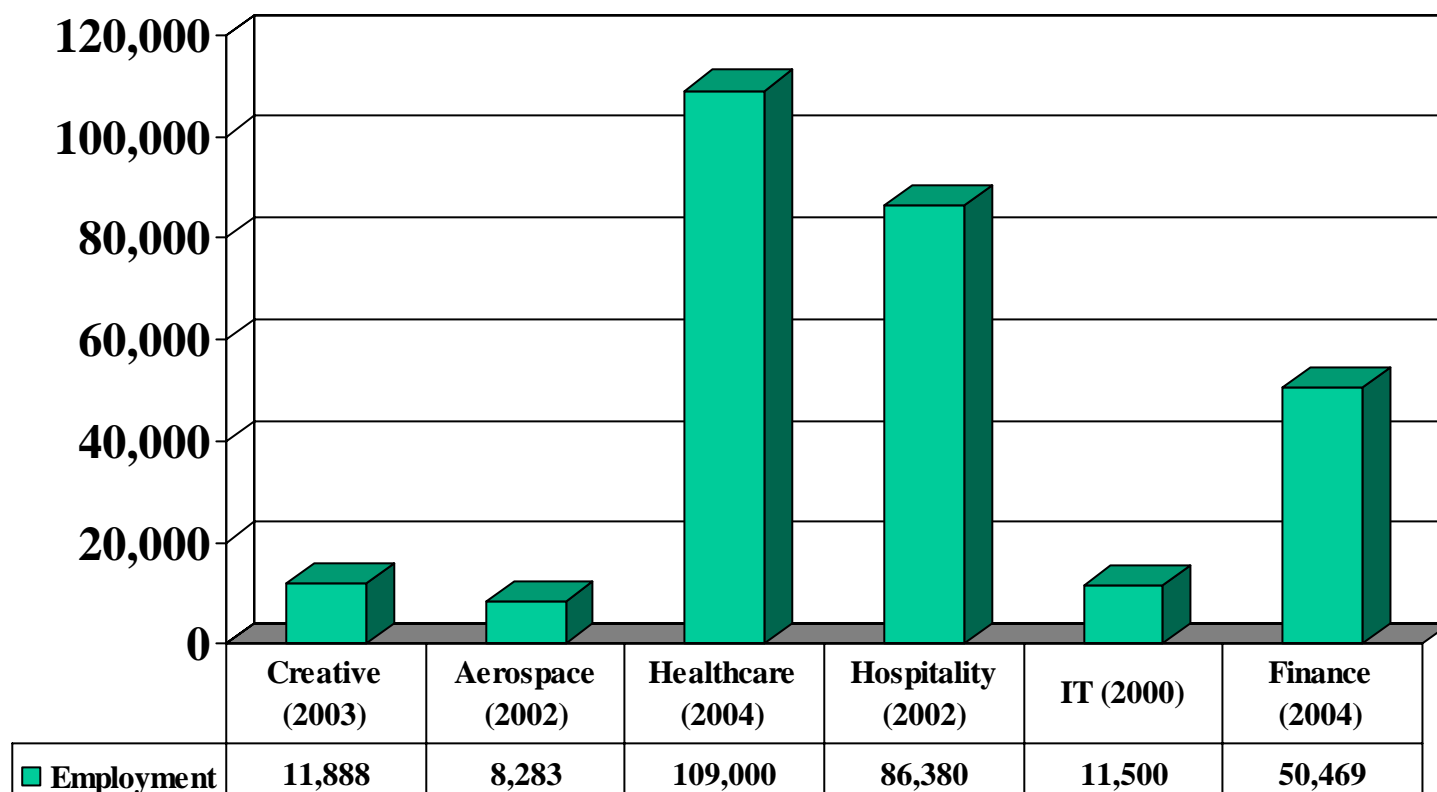
Comparison to Targeted Industries

Comparison of Economic Impact of the Targeted Industries



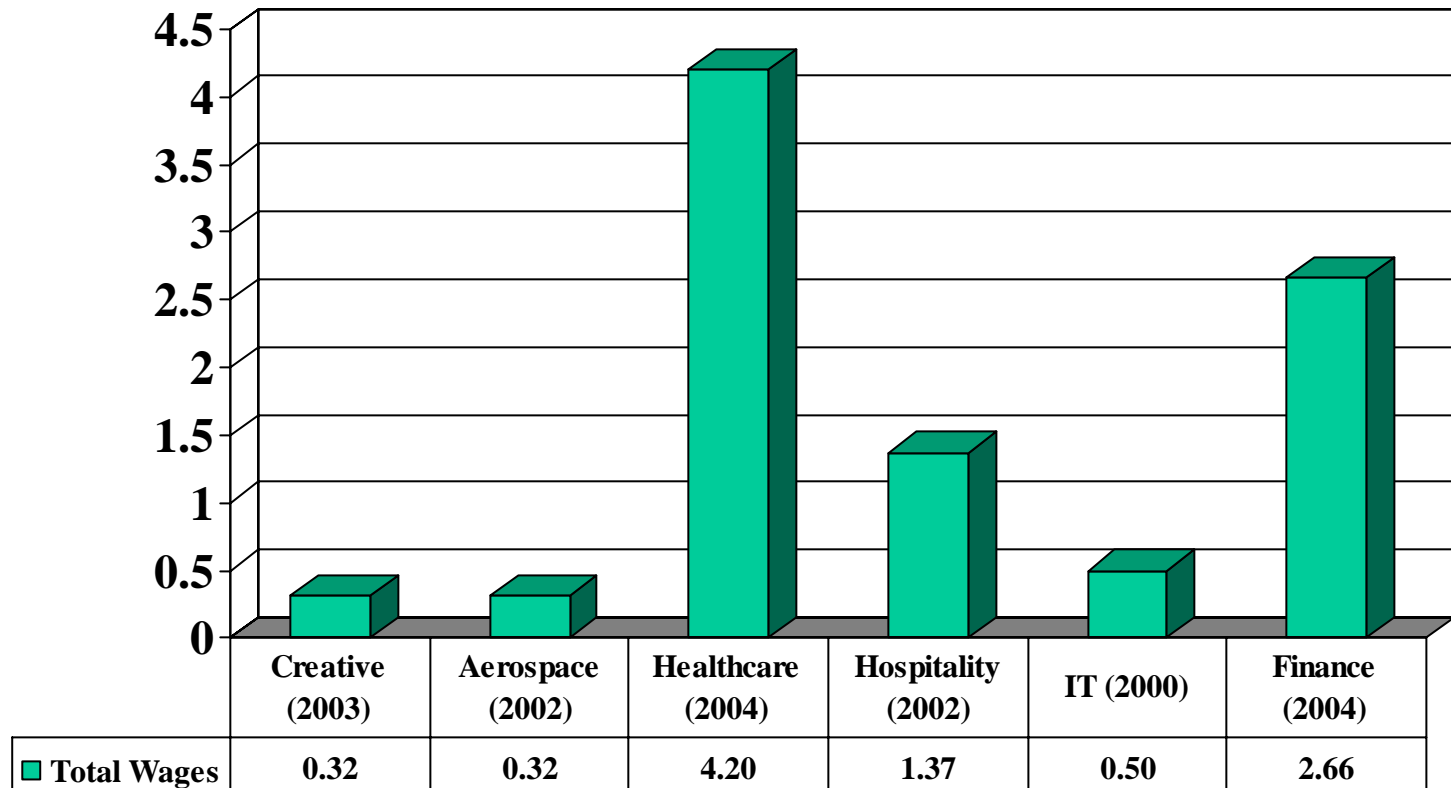
NOTE: Healthcare includes the bioscience industry

Comparison of Employment in Targeted Industries



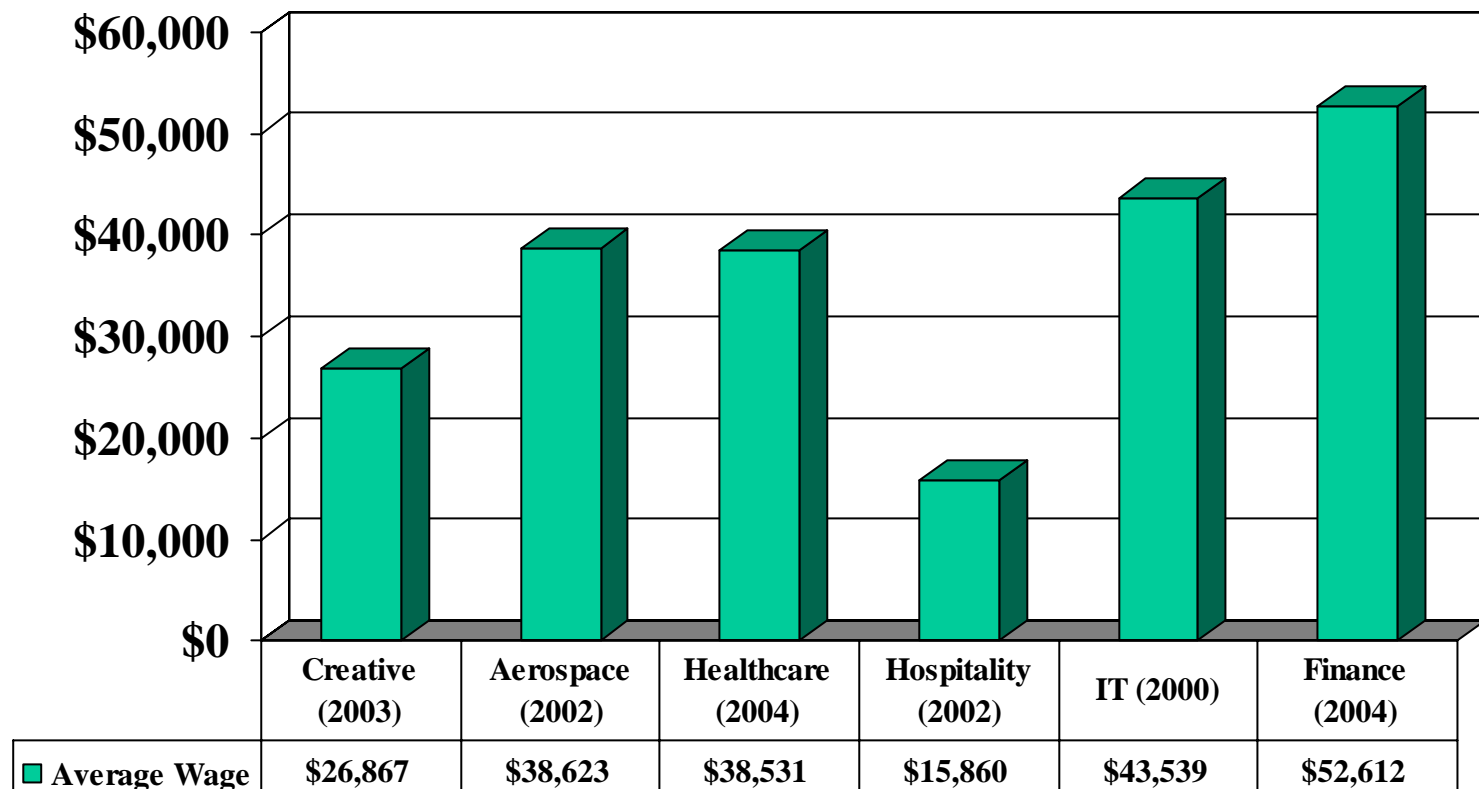
NOTE: Healthcare includes the bioscience industry

Comparison of Total Wages in the Targeted Industries (billions of dollars)



NOTE: Healthcare includes the bioscience industry

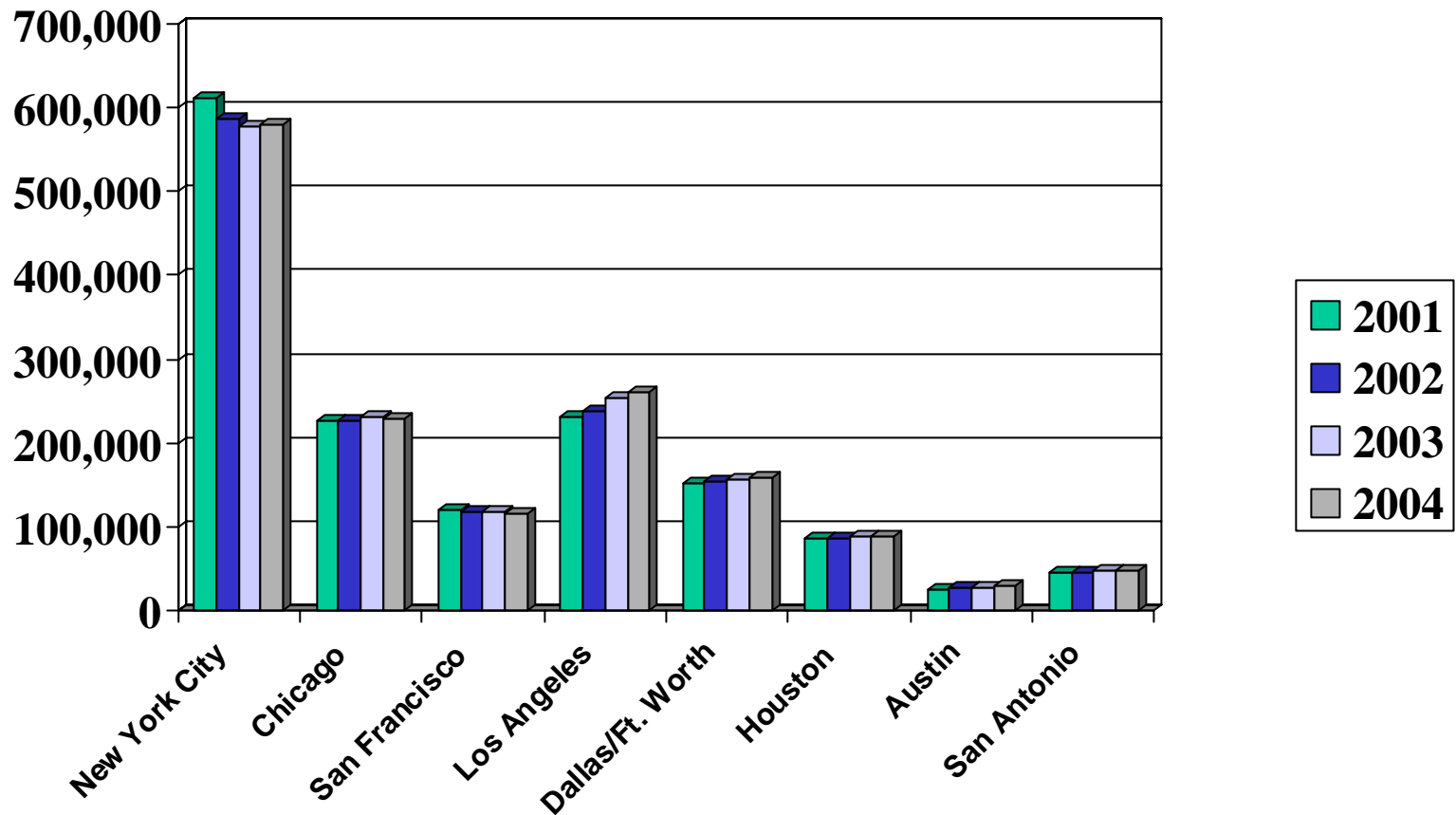
Comparison of the Average Wages in the Targeted Industries



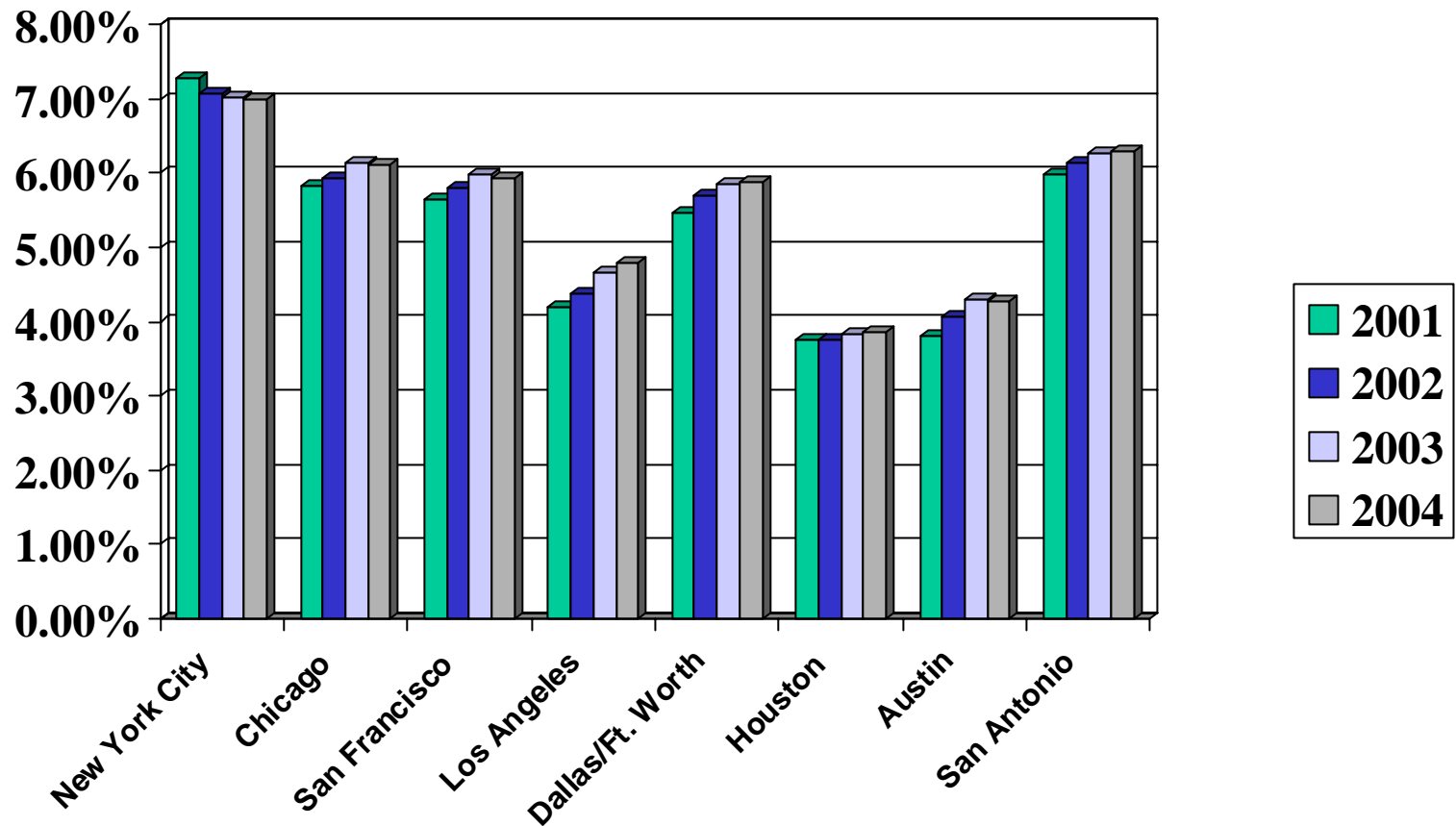
NOTE: Healthcare includes the bioscience industry

Comparison to Other Regions

Finance and Insurance Employment by Metropolitan Area, 2001-2004

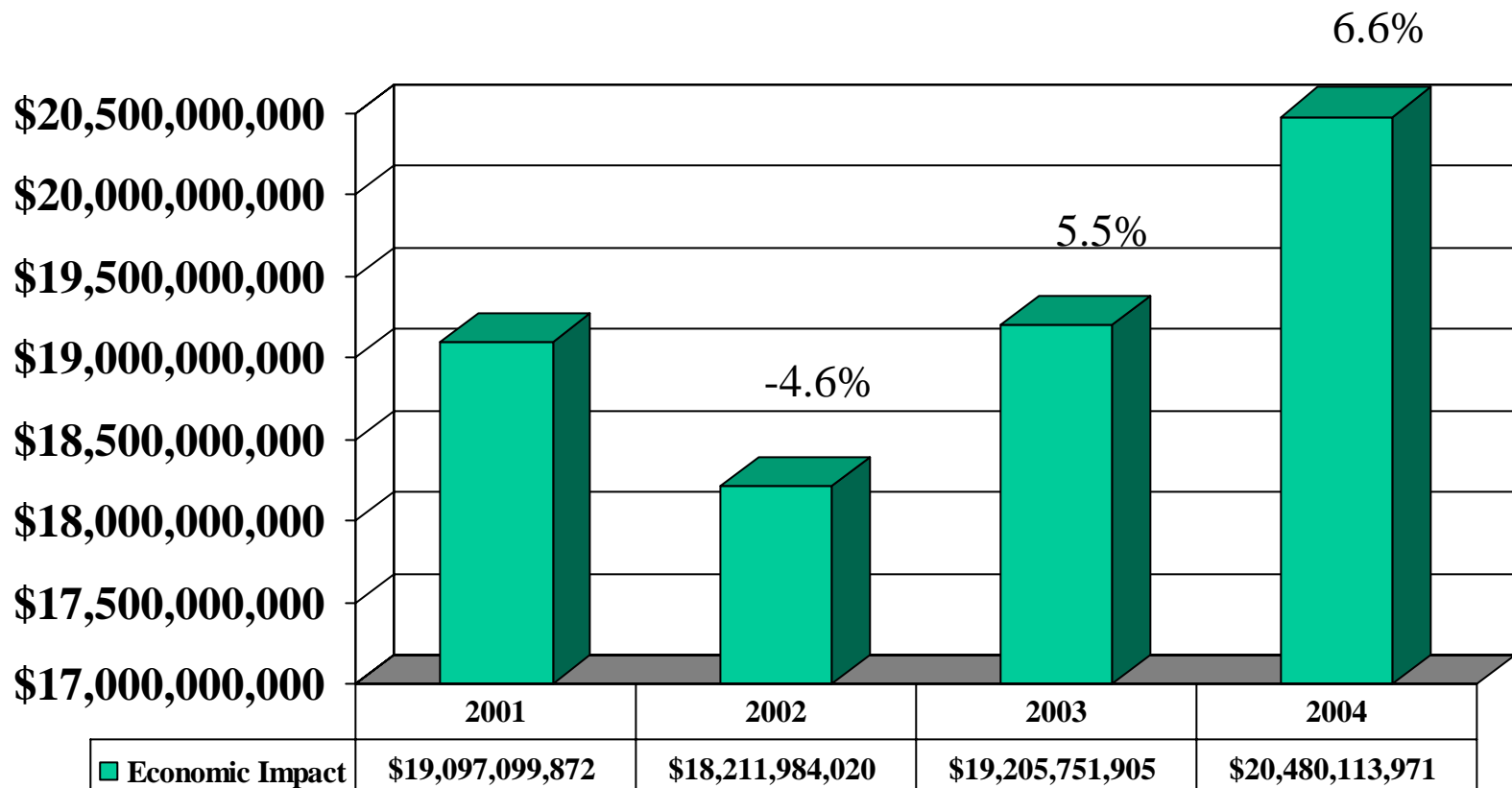


Finance and Insurance Employment as % of Total Employment, 2001-2004



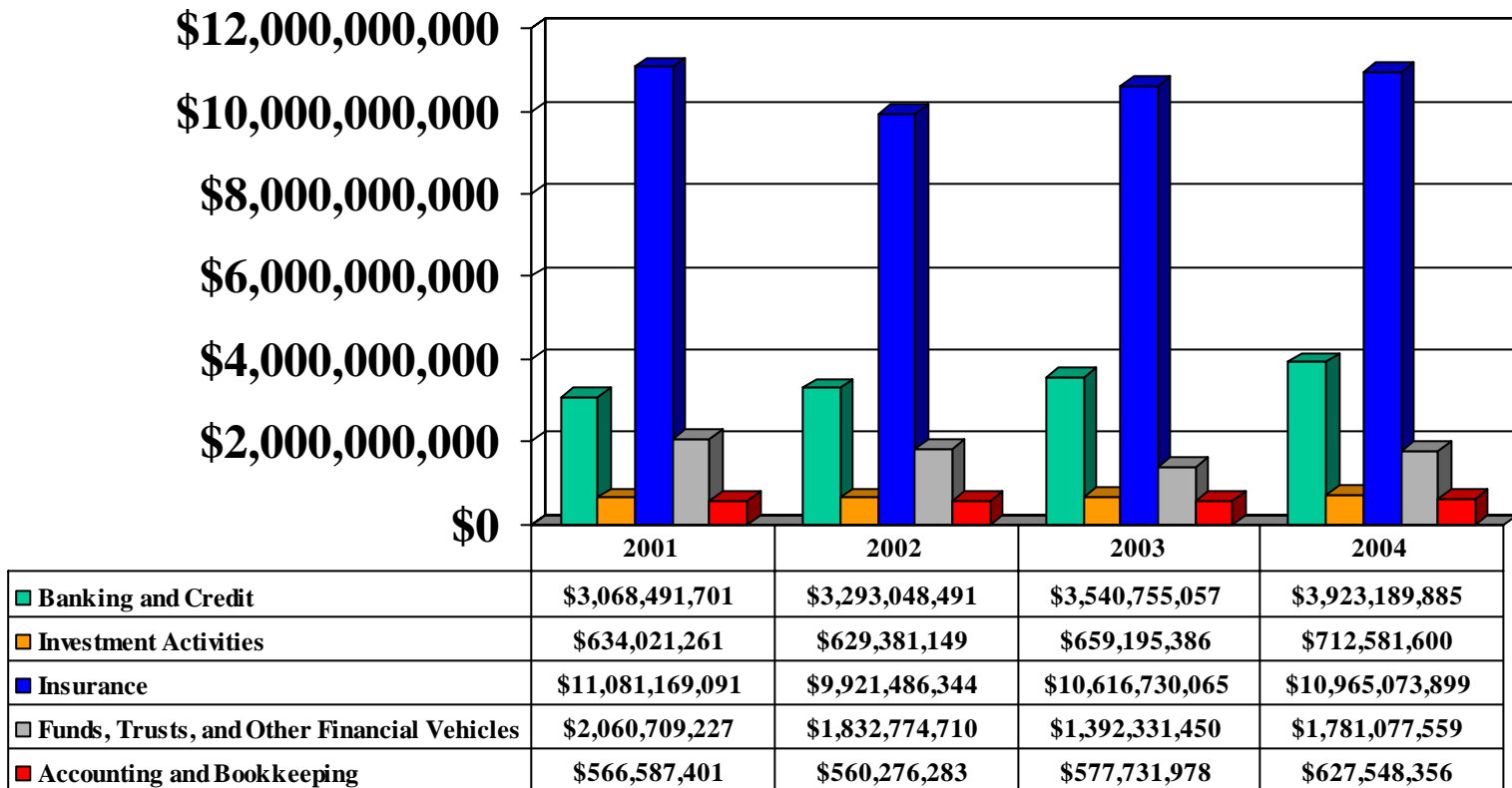
Economic Impact

Finance Industry Growing at a Strong Pace



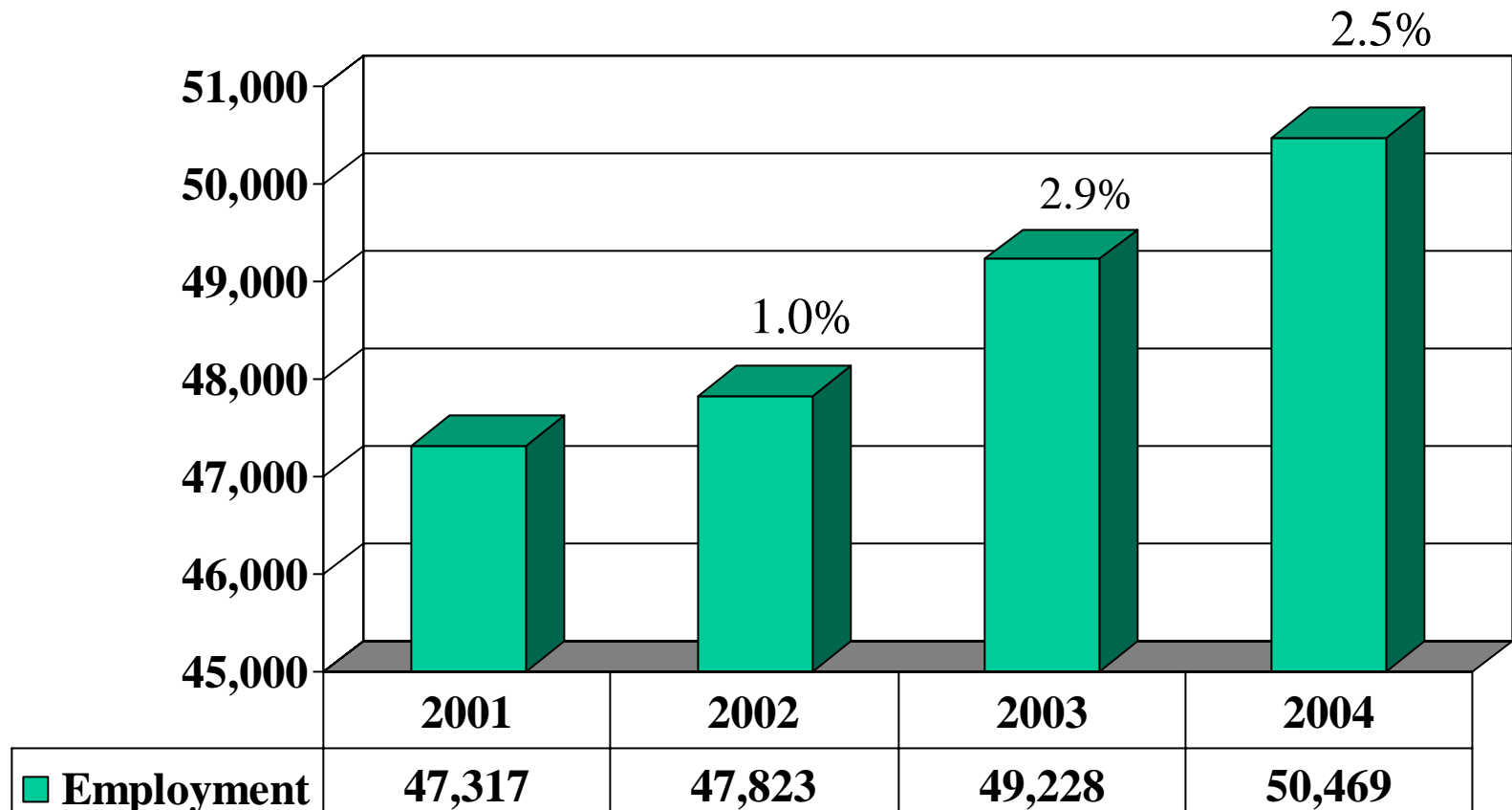
Percentages indicate annual growth.

Economic Impact by Sector 2001-2004



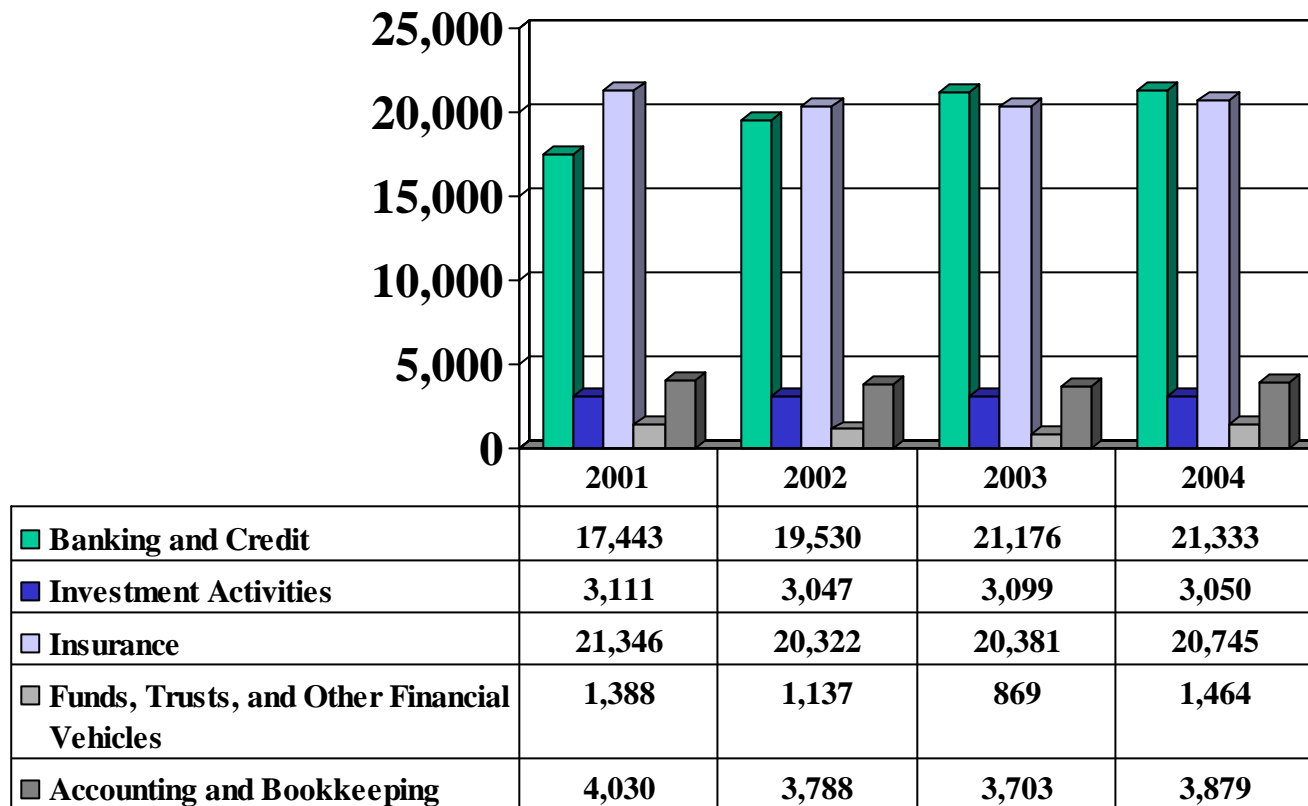
Employment

Finance Employment Growing Faster Than Overall Employment



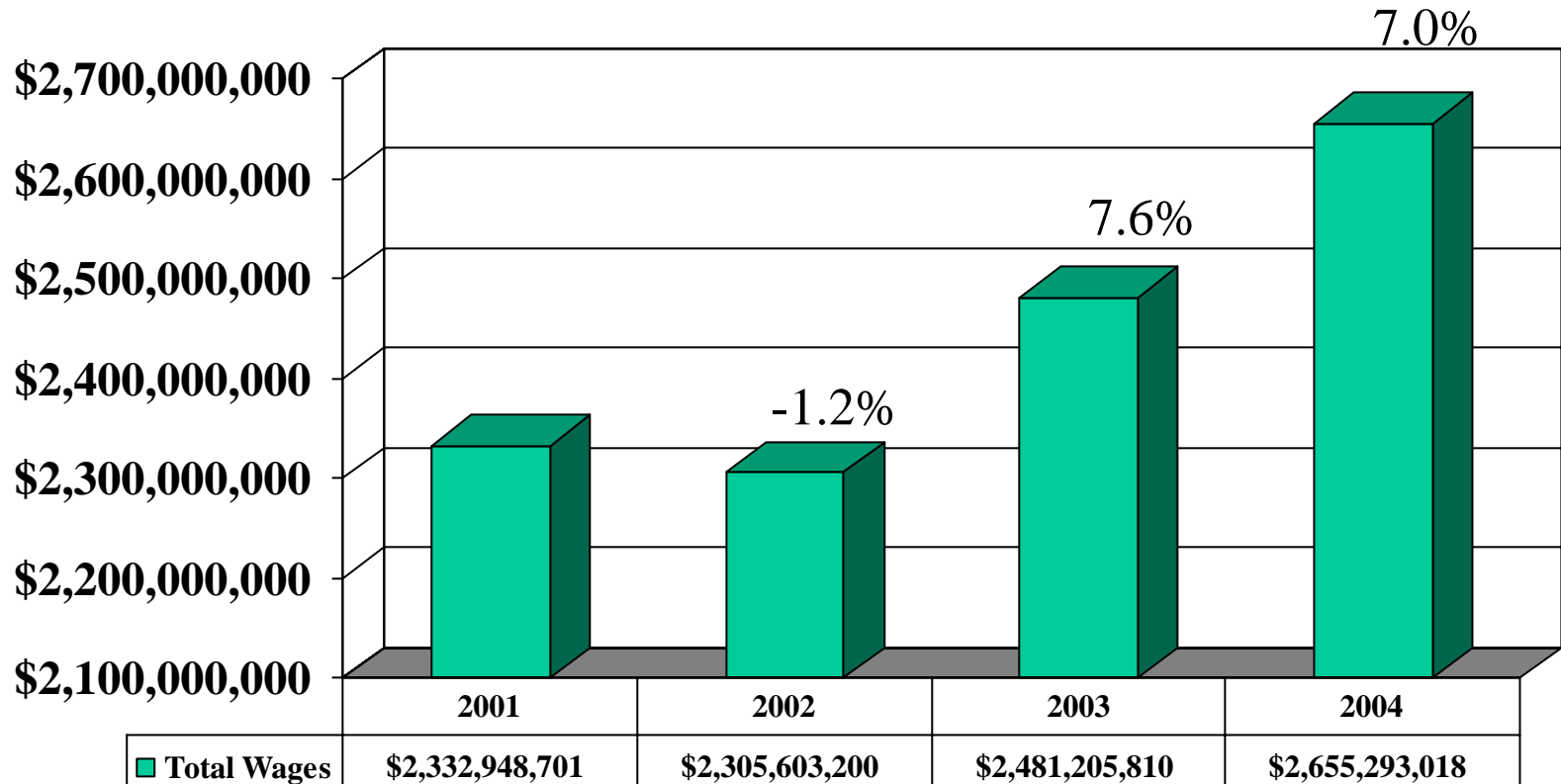
Percentages indicate annual growth. Average annual growth in the finance industry in San Antonio was 2.18%, compared to 0.36% for all industries.

Employment by Sector 2001-2004



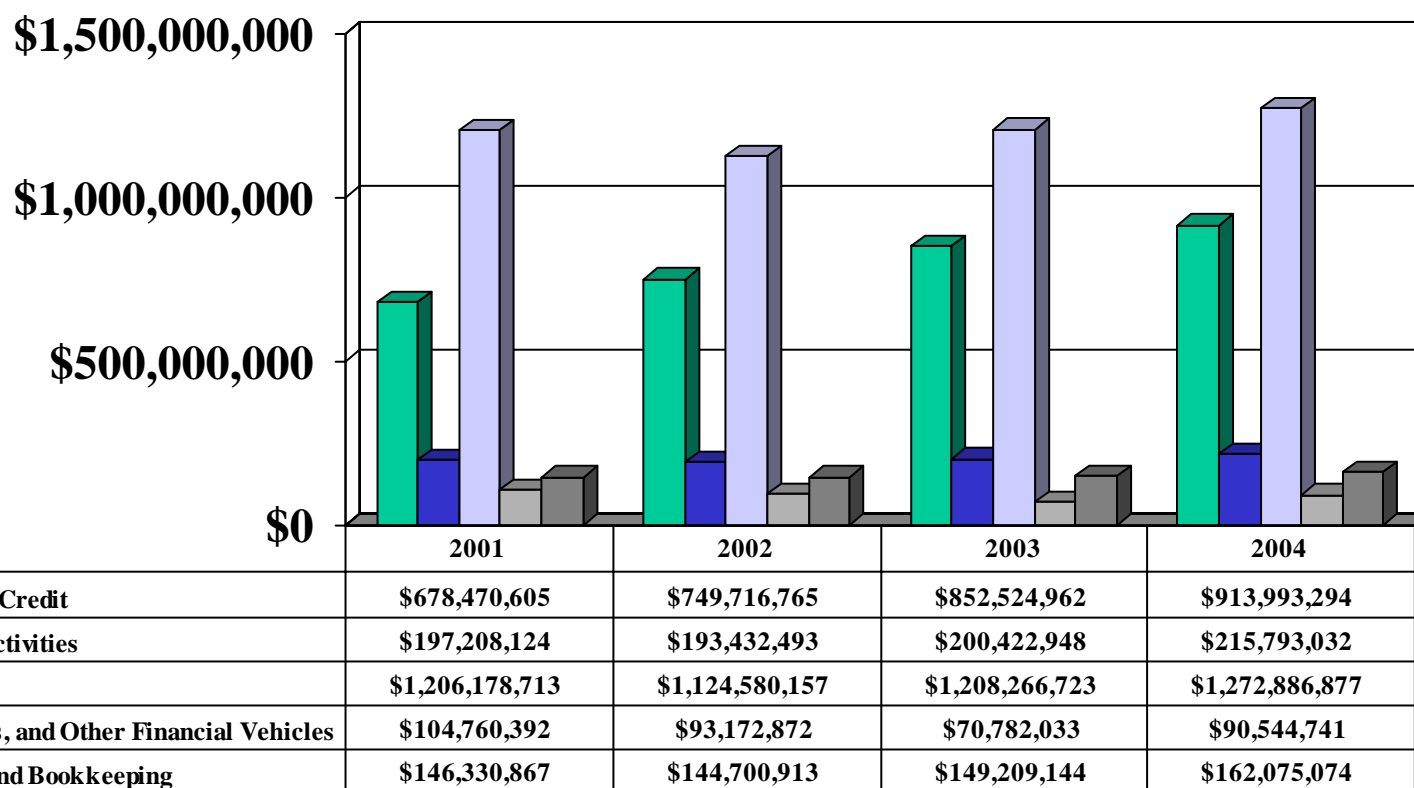
Wages

Finance Total Wages Growing Faster Than Overall Total Wages

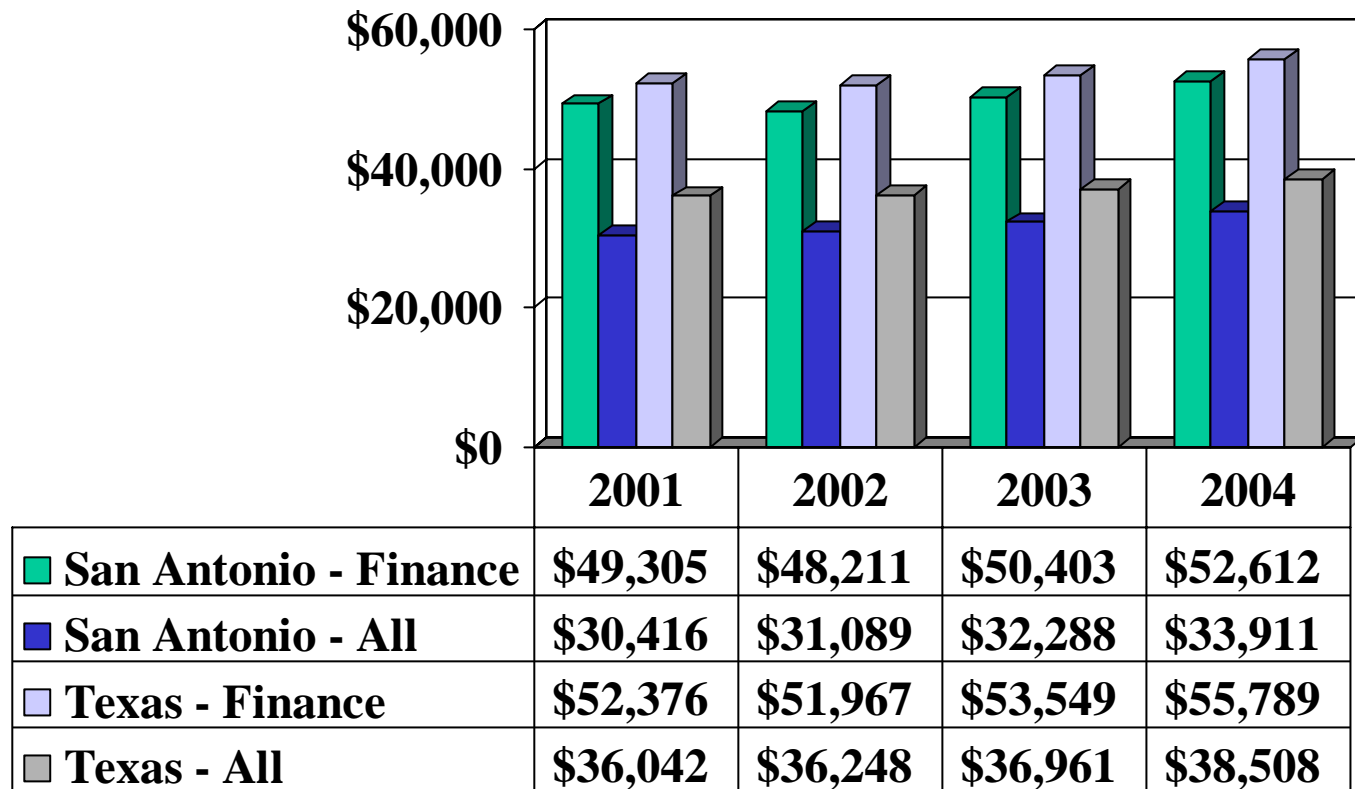


Percentages indicate annual growth. Average annual growth of total wages in the San Antonio finance industry was 4.5% compared to 4.0% for all industries.

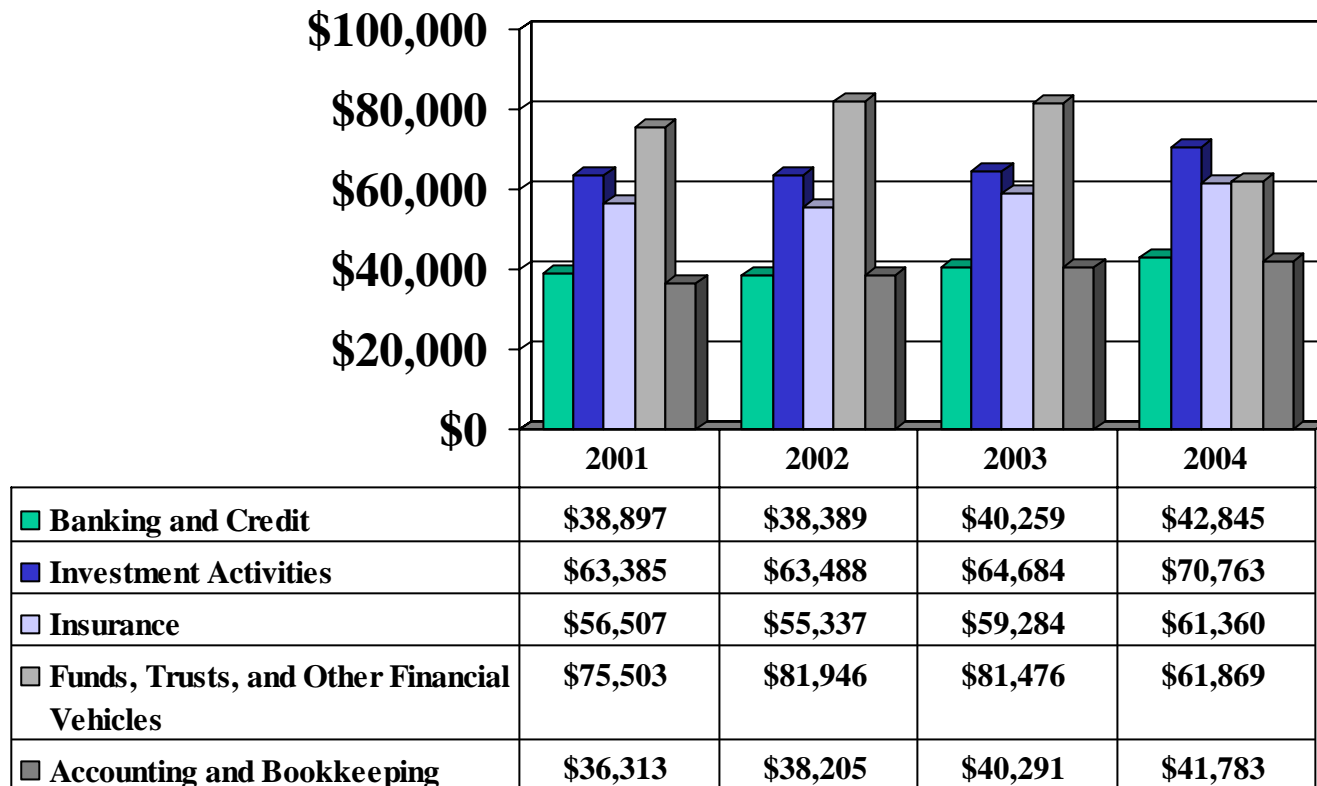
Total Wages by Sector 2001-2004



Finance Industry Pays Wages Much Higher Than Overall Average Wage



Average Wages by Sector 2001-2004



Summary

Headquarters Are An Important Part of the Industry

- Dominated by the insurance and banking sectors
- While every city has a “core” of a finance industry (e.g., branch banks), the finance industry in San Antonio extends far beyond that “core” with the presence of several finance industry corporate headquarters:
 - USAA
 - Frost Bank
 - Argonaut Group
 - GPM Life
 - Broadway Bank
 - Catholic Life
 - Security Service Federal Credit Union
 - San Antonio Federal Credit Union
- There is also a number of regional headquarters located in San Antonio:
 - World Savings
 - Citicorp
 - Chase Bank
 - Washington Mutual (soon to come)

Largest Industry by Some Measures

- Economic impact of \$20.5 billion in 2004
- Employed 50,469 people in 2004
- Paid total wages of \$2.66 billion in 2004
- Paid an average wage of \$52,612 in 2004 – considerably higher than the average wage in San Antonio of \$33,911
- When compared to the other targeted industries, the finance industry:
 - Registers the largest economic impact
 - Pays the highest average wage
 - Pays the second highest amount of total wages
 - Employs the third highest number of people

Significant Contributor to the Growth, Diversity, and Stability of the San Antonio Economy

- Healthy growth in economic impact, employment and wages
- Contributes significantly to San Antonio's economic diversity
- Provides stability to the San Antonio economy
(Source: Keith R. Phillips and Kristen T. Hamden, *Vista*, "Steady-as-She-Goes? An Analysis of the San Antonio Business Cycle," Winter 2004.)

Next Steps

- Continue research on the economic impact
 - Economic status of the finance industry throughout the country
 - Comparison of economic impact of the industry in other cities
 - Calculation of a composite economic impact index
 - Location quotient analysis
- Issue a RFP to hire a consultant to conduct a gap analysis and provide input regarding methods for encouraging the growth of the industry

Definitions

Definition of the Banking and Credit Sector

- This sector includes:
 - Commercial banking
 - Savings institutions
 - Credit unions
 - Other depository credit intermediation: Comprises establishments primarily engaged in accepting deposits and lending funds (except for above institutions). Establishments known as industrial banks or Morris plans and primarily engaged in accepting deposits, and private banks (i.e., unincorporated banks) are included in this industry.
 - Credit card issuing
 - Sales financing
 - Other nondepository credit intermediation: Comprises establishments primarily engaged in making cash loans or extending credit through credit instruments (except credit cards and sales finance agreements (e.g., consumer lending, real estate credit, international trade financing, secondary market financing)
 - Mortgage and nonmortgage loan brokers
 - Financial transactions processing, reserve, and clearinghouse activities
 - Other activities related to credit intermediation: Comprises establishments primarily engaged in facilitating credit intermediation (except mortgage and loan brokerage; and financial transactions processing, reserve, and clearinghouse activities) – e.g., loans servicing, money order issuance services, travelers' check issuance services

Definition of the Investment Activities Sector

- This sector includes:
 - Investment banking and securities dealing
 - Securities brokerage
 - Commodity contracts dealing
 - Commodity contracts brokerage
 - Securities and commodity exchanges
 - Miscellaneous intermediation: Comprises establishments primarily engaged in acting as principals (except investment bankers, securities dealers, and commodity contracts dealers) in buying or selling financial contracts generally on a spread basis – e.g., investment clubs, venture capital companies, mineral royalties or leases dealing, tax liens dealing
 - Portfolio management
 - Investment advice
 - Trust, fiduciary, and custody activities
 - Miscellaneous financial investment activities: comprises establishments primarily engaged in acting as agents and/or brokers (except securities brokerages and commodity contracts brokerages) in buying or selling financial contracts and those providing financial investment services (except securities and commodity exchanges; portfolio management; investment advice; and trust, fiduciary, and custody services) on a fee or commission basis – e.g., exchange clearinghouses, commodities or securities; gas lease brokers' offices; stock quotation services

Definition of the Insurance Sector

- This sector includes:
 - Direct life, health, and medical insurance carriers
 - Direct property and casualty insurance carriers
 - Direct title insurance carriers
 - Other direct insurance carriers (except life, health, and medical): Comprises establishments primarily engaged in initially underwriting insurance policies (except life, disability income, accidental death and dismemberment, health and medical, property and casualty, and title insurance policies) – e.g., bank deposit insurance carriers, warranty insurance carriers, deposit or share insurance carriers
 - Reinsurance carriers
 - Insurance agencies and brokerages
 - Claims adjusting
 - Third party administrators
 - All other insurance related activities: Comprises establishments primarily engaged in providing insurance services on a contract or fee basis (except insurance agencies and brokerages, claims adjusting, and third party administrators). Insurance advisory services and insurance ratemaking services are included in this industry.

Definition of Funds, Trusts, and Other Financial Activities Sector

- This sector includes:
 - Pension funds
 - Health and welfare funds
 - Other insurance funds: Comprises legal entities (i.e., funds (except pension, and health- and welfare-related employee benefit funds)) organized to provide insurance exclusively for the sponsor, firm, or its employees or members. Self-insurance funds (except employee benefit funds) and workers' compensation insurance funds are included in this sector.
 - Open-end investment funds
 - Trusts, estates, and agency accounts
 - Real estate investment trusts
 - Other financial vehicles: Includes closed-end investment funds (except REITs) collateralized mortgage obligations, special purpose vehicles, unit investment trust funds, real estate mortgage investment conduits

Definition of the Accounting and Bookkeeping Sector

- This sector includes:
 - Offices of certified public accountants
 - Tax preparation services
 - Payroll services
 - Other accounting services: Comprises establishments (except offices of CPAs) engaged in providing accounting services (except tax return preparation services only or payroll services only). These establishments may also provide tax return preparation or payroll services. Accountant (except CPA) offices, bookkeeper offices, and billing offices are included in this industry.